

Comptroller's Directive No. 3-07
Attachment 22
Schedule of Cash, Cash Equivalents, and Investments at June 30

Purpose

This attachment is used to gather uniform financial reporting information for CAFR footnote disclosures required by **GASBS No. 3**, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, as amended by **GASBS No. 40**, *Deposits and Investment Risk Disclosures*. This attachment is similar to prior year's Attachment 20.

Due Date

August 30, 2007

Certification

The **Certification** tab is new for FY 2007, and it requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. By typing a name, the individual is certifying that all tabs of this attachment have been reviewed, the information is both complete and accurate, and the preparer and reviewer were not the same individual for any tab.

Applicable agencies

Agencies as specified in Supplemental Information.

All other agencies and funds (other than what is being reported for the financial statement templates) that have cash, cash equivalents, or investments not with Treasurer must complete the following tab:

- **Detail** tab of the Excel attachment.
- The Department of Corrections must aggregate central office and all facilities using 701.
- The Department of Mental Health, Mental Retardation, and Substance Abuse Services must aggregate central office and all facilities using 720.
- The Supreme Court of Virginia must aggregate agencies 103, 111, 112, 113, 114, 115, 116, 125, and 160 using 111. (A separate attachment must be completed for each agency that has cash, cash equivalents, or investments not with the Treasurer of Virginia).

Note: Treasury provides the Department of Accounts with the investment type, maturity date, and risk category for cash equivalents and investments with the Treasurer.

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**Submission
requirements**

Contact DOA if the agency has any problems with the spreadsheets.

After downloading the files, rename the spreadsheet file using the agency number followed by Att22. For example, agency 151 should rename its Attachment 22.xls file as 151Att22.xls.

Submit the Excel spreadsheet electronically to
finrept-agvatt@doa.virginia.gov.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of these Excel spreadsheets.

**Attachment
revisions**

If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the Revision Control Log tab in the excel file attachment.**

Enter the revision date, applicable excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Each time a revision is submitted the **Certification** tab should be updated with new signatures and dates.

Recommended

It is recommended that each agency obtain copies of **GASBS No. 3**, **GASBS No. 40**, and the **GASBS No. 40** Implementation Guide for better understanding of this attachment.

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As defined

Cash – the standard medium of exchange (paper currency) that must be readily available for the payment of current obligations, and it must be free from any contractual restriction that limits its use in satisfying debts.

Cash Equivalents – instruments or investments of such high liquidity (original maturity of 90 days or less) and low risk that they are virtually as good as cash. Examples are a nonnegotiable certificate of deposit, money market fund, Treasury bill, and monies in the State Non-Arbitrage Program (SNAP). Whether an asset is a cash equivalent is determined only once based on the length of the original maturity when the asset is first acquired.

Investments – securities and other assets acquired primarily for the purpose of obtaining income or profit with an original maturity greater than 90 days. This includes securities, which are transferable financial instruments that evidence ownership or creditorship.

Security – generally, an instrument evidencing debt of or equity in a common enterprise in which a person invests on the expectation of financial gain. The term includes notes, stocks, bonds, debentures or other forms of negotiable and nonnegotiable evidences of indebtedness or ownership.

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**Directions for
the Detail tab**

Below are instructions as to the proper completion of the **Detail** tab in the Excel spreadsheet. **Amounts reported on the Detail tab should exclude any amounts reported on any financial statement template (Attachments 8-12).** Please follow these instructions carefully.

Part	Instruction
1a	<p>Report the agency's total cash not held with the Treasurer of VA excluding any amount reported on Attachments 8-12. If this amount is not identified in the agency's supplementary requirements, please contact DOA immediately.</p> <p>Note: Certificates of deposit (CDs) should NOT be reported as cash. CDs should be reported as cash equivalents and/or investments.</p> <p>Note: Money market funds held by financial institutions (i.e. banks, savings and loan associations, and credit unions) versus a broker / dealer (any individual or firm in the business of buying and selling securities for itself and others; broker / dealers must register with the SEC) qualify as deposits, and therefore are classified as cash instead of investments.</p>
1b	For the total cash not with the Treasurer of VA reported above, provide the total bank balance as of June 30.
1c	Provide an explanation if the reported amount is negative.

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Directions for the Detail tab, continued

Part	Instruction
2a	Of the amount reported in 1b above, provide the amount that is insured by federal depository insurance [for public units - only a total of \$100,000 per financial institution for interest bearing and an additional \$100,000 for non-interest bearing accounts (i.e. demand deposits) may be insured by the FDIC].
2b	Of the amount reported in 1b above, provide the amount that is covered by the Security for Public Deposits Act (Section 2.2-4400 of the <i>Code of Virginia</i>). Note: If all cash not held with the Treasurer of VA is included in 2a and 2b above, do not complete step 2c below. If not, the remaining amount should be classified in 2c below.
2c	Is any cash NOT with the Treasurer NOT covered by the FDIC or the Security for Public Deposits Act? If so, report the amount and bank balance for all applicable options below: i) Uncollateralized ii) Collateralized with securities held by the pledging financial institution iii) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The total of the amounts provided must agree to the total amount in step 1b above.
2d	Provide an explanation if the amount reported in Part 2a) is greater than \$100,000.
3	Report the amount the agency has in the Local Government Investment Pool (LGIP). Provide the LGIP account number and amount (the amount listed for each account must come from the LGIP statement). If applicable, let DOA know where the agency has these monies in CARS by providing the GLA and fund / fund detail.
4	Report the amount the agency has in the State Non-Arbitrage Program (SNAP). Provide the SNAP account number and amount (the amount listed for each account must come from the SNAP statement). If applicable, let DOA know where the agency has these monies in CARS by providing the GLA and fund / fund detail.

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Directions for the Detail tab, continued

Part	Instruction
5	Report the amount of cash equivalents and investments NOT held by the Treasurer of Virginia . <u>This amount should agree to the sum of all amounts in the “Reported Amount” column on the Cash Equiv. & Inv. NOT w Tr tab of the spreadsheet.</u>
6	List the total fair value of cash equivalent / investment types subject to foreign exchange risk. Foreign exchange risk is the risk of an investment’s value changing due to changes in currency exchange rates and / or the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to adverse movements in exchange rates. This amount must equal the total of the fair value amount in the Foreign Currency Inv tab of the spreadsheet.
7a	The information on Cash Equiv. & Inv. Not w Tr tab should agree to the agency's audited financial statements. Any differences must be explained.
7b	DOA should be contacted for adding rows on Cash Equiv. & Inv. Not w Tr tab if additional rows are needed. All information for <u>GASBS No. 40</u> disclosure should be provided on DOA’s attachments.
8	Are any of the agency's cash equivalents or investments in debt securities not with the Treasurer of VA highly sensitive to interest rate changes? Some examples of these include a variable-rate investment with a multiplier, or a variable-rate investment with a coupon that varies inversely with a benchmark index. For further explanations of highly sensitive investments, refer to the <u>GASBS No. 40</u> Implementation Guide, questions 45 – 58. If the agency marked a “Yes”, the agency will need to provide an explanation as to why these investments are considered highly sensitive.
9	<u>GASBS No. 40</u> states it is the agency’s responsibility “to update the custodial credit risk disclosure requirements addressing other common risks of the deposits and investments of state and local governments.” With this in mind, the agency should provide a description of any other type of risk to cash, cash equivalents, and investments not covered elsewhere on this attachment.
10	Submit the agency's investment policy along with this Attachment in the e-mail to finrept-agvatt@doa.virginia.gov . This is the investment policy that will officially be on record with the Department of Accounts. If the agency does have cash, cash equivalents, and investments NOT with the Treasurer of Virginia and DOES NOT have an investment policy, the agency should provide an explanation.

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**Directions for
the Cash Equiv.
& Inv. NOT w
Tr tab**

According to **GASBS No. 40**, agencies that have cash equivalents and investments not with the Treasurer of Virginia will need to report more detailed information about the risk of their cash equivalents and investments. This spreadsheet requests the necessary information DOA needs to properly report this information in the CAFR.

List cash equivalent or investment by type and issuer:

In prior years, agencies had to provide information by type of cash equivalent or investment. While DOA is continuing to request this information, DOA will also need each issuer (further broken by each issue) for most cash equivalent and investment types. This information is needed to satisfy the concentration of credit risk for **GASBS No. 40**. DOA is also requesting any applicable ticker symbol **and** CUSIP number for each issue. (The ticker symbol and CUSIP number is needed to help DOA in sorting all the issuers to ensure there is no one issuer greater than 5% of net assets or plan net assets for any particular fund.)

Note: **Ginnie Mae, EXIMBANK, and SBA** are the only asset backed securities that should be included with U.S. Treasury and Agency Securities. This is because they are explicitly backed by the U.S. Government. Securities such as **Fannie Mae, Sallie Mae, and the Federal Farm Credit Banks** are **NOT** explicitly backed by the U.S. Government and should not be included in U.S. Treasury and Agency Securities.

Example: For the cash equivalent or investment type “Common and Preferred Stocks,” the agency would list each issuer such as General Electric Corp. The agency would also list their ticker symbol “GE”. Because it is an equity security, no credit quality rating would need to be given. The agency would then classify the custodial rate risk for this security.

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Directions for the Cash Equiv. & Inv. NOT w Tr tab, continued

Credit Quality Rating (AAA, BB, Unrated, etc.):

List the applicable credit quality rating. The credit quality ratings of cash equivalents and investments in debt securities (corporate bonds, corporate notes, etc) as described by nationally recognized statistical rating organizations (rating agencies) must be disclosed.

Obligations of the U.S. government or obligations **explicitly** guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. Negotiable certificates of deposit are also exempt from credit quality ratings. Repurchase agreements are exempt from credit quality ratings **only** if the underlying security is explicitly guaranteed by the U.S. government. The credit quality ratings of external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities should be disclosed. **If a credit quality disclosure is required and the investment is unrated or not rated by any rating agency, the disclosure should indicate that fact that the investment is Unrated. Under no circumstance should the rating information be left blank.**

DOA's rating drop down list in the **Cash Equiv. & Inv. NOT w Tr** tab provides standardized symbols for commonly used ratings of Standard & Poor's and Moody's. Agencies may also refer to these two rating agencies' website for standardized rating symbols if certain ratings are not included in the drop down list. **In any case, correct and standardized rating symbols provided in DOA's drop down list or specified by the rating agencies if the ratings are not in the drop down list must be used. Agencies should pay close attention to the rating symbols' letter case as a different letter case may symbolize different rating definition by different rating agencies.**

Interest rate risk (i.e. maturity) of each cash equivalent and investment:

The interest rate risk of debt investments must be disclosed by investment type and amount. DOA has selected the segmented time distribution method as outlined in **GASBS No. 40**. This requirement will require the agencies provide, by amount and issuer, the maturity of their debt investments.

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Directions for the Cash Equiv. & Inv. NOT w Tr tab, continued

GASBS No. 40 does not require separate disclosure for cash equivalents and investments. Therefore, cash equivalent and investment amounts should be listed in one of the investment column maturities (less than 1 year, 1-5 years, 6-10 years, greater than 10 years) depending on the investment securities that have maturities. Most equity type investments do not have a maturity and their total would only be reported in the “category 3” and / or “uncategorized” columns in the custodial credit risk section.

Negotiable certificates of deposit should be classified as cash equivalents or investments depending on the original maturity. Negotiable instruments are securities that are normally sold in \$1 million units and that can be traded in a secondary market. **Non-negotiable certificates** of deposit should always be reported as cash equivalents in the “Less Than 1 Year” column. Non-negotiable instruments are time deposits that are placed by depositors directly with financial institutions and that are generally subject to a penalty if redeemed before maturity.

Custodial credit risk:

Per **GASBS No. 40**, the requirement to disclose cash equivalents and investments as categories 1 and 2 is no longer necessary. These amounts should be reported in the uncategorized column. If the security, however, meets the following criteria, the security must still be reported as Category 3.

- Uninsured,
- Not registered in the name of the government, and
- Are held by either the counterparty or the counterparty’s trust department or agent

Note: Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed because they are held by the buyer-lender.

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Directions for the Cash Equiv. & Inv. NOT w Tr tab, continued

List the total custodial credit risk that is considered category 3 and the amount that is uncategorized (remaining amount) for each issuer. For debt securities, the total of these two columns should equal the sum of the interest rate risk columns mentioned above or an error message will appear. Equity securities (common, preferred stock, index funds, equity index and pooled funds, and real estate) will not have a maturity, and their total would only be reported in the custodial credit risk section.

Total Reported Amount:

The reported amount column will automatically total from the amounts listed as category 3 and uncategorized in the custodial credit risk columns of the spreadsheet. **An “Error” message will appear for debt securities if this amount does not agree to the sum of the interest rate risk (maturity risk) amounts entered.** The overall total of category 3 and uncategorized cash equivalents and investments must agree to the amount reported at Step 5 in the **Detail** tab of the spreadsheet. If it does not, an “Error” message will appear in the **Detail** tab.

**Directions for
the Foreign
Currency Inv
tab**

List the **fair value** of **each** cash equivalent / investment types subject to foreign exchange risk. Foreign exchange risk is the risk of an investment’s value changing due to changes in currency exchange rates and / or the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to adverse movements in exchange rates. The total amount must agree to Step 6 in the **Detail** tab.

**Directions for
the Recordation
tab**

Complete this tab to ensure cash equivalents and investments not held by the Treasurer of Virginia are appropriately valued in accordance with **GASBS No. 31.**
